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March 10, 2004

Mr. Solomon Armstrong, Chairman,
and Members of the Board of Commissioners
Housing Authority of the Town of Lake Providence
226 Foster Street
Lake Providence, LA 71254

Dear Mr. Armstrong:

We performed a limited review of the financial records of the Housing Authority of the Town of Lake Providence (Authority) for the period beginning October 1, 2001, and ending November 30, 2003. We also reviewed the Authority's policies and procedures as well as the board meeting minutes. The scope of our work was significantly less than those required by *Government Auditing Standards* in the audit of the Authority's financial statements; therefore, we are not offering an opinion on the Authority's financial statements, the Authority's system of internal control, nor assurance as to compliance with laws and regulations.

As part of our review, we noted certain matters that we want to bring to the attention of the board and management for consideration. We offer the following comments and suggestions:

1. Lack of Policies and Procedures

- a. **Budgeting:** A written budget policy and detailed written procedures for preparing, adopting, monitoring, and amending the budget are important for the Authority in complying with Louisiana Revised Statutes (R.S.) 39:1301-1315 and providing management with guidelines necessary in managing the Authority's budget. The Authority should adopt written budget policies and procedures to cover both compliance with the budget laws and management's responsibility in using the budget as a tool to manage the Authority and control spending. In addition, the board should discuss the budget and actual financial results at its monthly meetings to use the budget as a management tool.
- b. **Financial Reporting:** The Authority does not have written policies and procedures for producing financial statements. The Authority should adopt written policies and procedures that provide the nature, extent, and frequency of reporting financial information to management and the governing body.

- c. **Disbursements:** Written procedures are necessary to provide a clear understanding of what should be done, how it should be done, who should do it, and when it should be done and that the procedures followed meet management's expectations. The Authority should develop procedures to ensure that funds are disbursed in a manner consistent with expectations and to ensure that disbursements are for the benefit of Authority tenants. This policy should also address who has authority to make disbursement decisions and that each disbursement is adequately documented. For example, currently, payments are made for hauling of trash without specific details, such as dates, location cleared, and description of items hauled.
- d. **Credit Cards:** Written policies and enforced procedures that provide guidance for the business use and appropriate supporting documentation of credit card expenditures should be established. The credit card statement alone does not provide sufficient documentation of individual purchases. The Authority should require detailed documentation of each credit card purchase.
- e. **Payroll and Attendance Records:** The Authority should commit to writing its established policies and procedures to ensure adequate documentation of the payroll and attendance processes. Documentation should include time reports indicating hours worked, time report approval by management, and records accounting for sick and vacation leave earned and used. The Authority should ensure that all personnel files include signed I-9 forms, job descriptions, and completed employment applications.
- f. **Investments:** Although an investment policy exists, it is not adequately detailed to clarify the Authority's investment objective and define acceptable investment type, risk, and liquidity. R.S. 33:2955 provides, in part, that an investment policy shall be adopted that details and clarifies investment objectives and the procedures and constraints necessary to reach these objectives. The Authority should adopt an investment policy that conforms to Louisiana law and outlines allowable investment type, risk, and liquidity. In addition, the Authority should establish written procedures for ensuring that bank balances and investments are adequately secured to comply with R.S. 39:1221 and 39:1225.
- g. **Inventories:** The Authority should adopt a written policy containing procedures that provide for the accurate accountability of inventory. This policy should include the detailed procedures for using purchase and work orders to maintain a current inventory list. Periodic physical inventory counts should be conducted to ensure accuracy of inventory.

- h. **Information Systems:** The Authority should establish written policies and procedures concerning Internet access, files that can and cannot be downloaded from the Internet, and identifying critical and non-critical data. Critical data should be backed up regularly and stored in a secure location offsite. In addition, the Authority should have a contingency or recovery plan in the event of a disaster.

2. **Noncompliance With Policies and Procedures**

- a. **Disbursements:** Invoices from the gasoline service station do not detail purchases on account or description of the vehicle fueled. The Authority should follow its current policy for disbursement and ensure that all payments are supported by adequate documentation.
- b. **Travel:** According to the Authority's travel policy, travel vouchers must be submitted with odometer readings to receive mileage reimbursement and receipts must be presented to support travel advances received. Employees and board members are not required to follow the established procedures regarding travel reimbursements. The Authority should ensure that employees and board members adhere to established procedures when requesting travel reimbursement. In addition, the executive director receives a mileage reimbursement for Authority business conducted in his personal vehicle without submitting odometer readings. The Authority should require odometer readings to support mileage claimed.
- c. **Capital Assets:** None of the Authority's movable property is tagged. Authority employees should inspect all movable property and ensure that it is tagged. Also, the Authority should ensure that it possesses the title for a recently purchased vehicle and that this vehicle is listed on the fixed asset detail.
- d. **Records:** The Authority does not have a formal records retention schedule but does maintain at least three prior years of records. The Authority should develop a records retention schedule and seek approval of the schedule from the Louisiana Secretary of State.
- e. **Ethics:** Louisiana law requires compliance with the Louisiana Code of Governmental Ethics, Title 42 of the Louisiana Revised Statutes. The Authority should require annual certification letters from board members and employees attesting to their compliance with this law.

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This letter is intended for the information and use of the management of the Housing Authority of the Town of Lake Providence and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

If you have any questions, please contact me at (225) 339-3839 or Mr. Daryl Purpera at (225) 339-3807.

Sincerely,

A handwritten signature in black ink, appearing to read "Grover C. Austin". The signature is fluid and cursive, with the first name "Grover" and last name "Austin" clearly distinguishable.

Grover C. Austin, CPA
First Assistant Legislative Auditor

ERH:EKL:DGP:dl

[TLP04]